TOOLS FOR REDUCING TOC IN ACQUISITIONS

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CECOM Bottom Line: The Soldie

CECOM O&S COST IPT

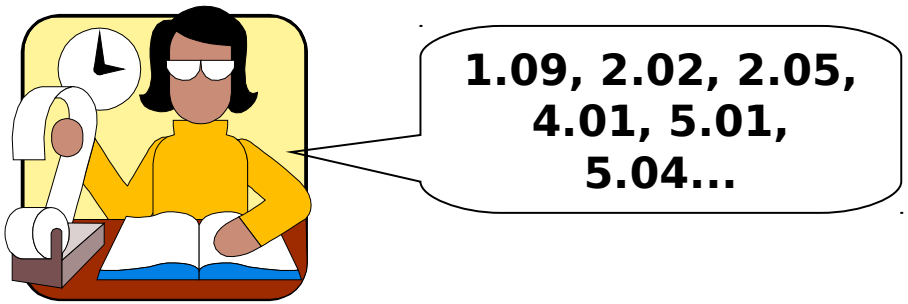
- **OBJECTIVE: Develop Methods to**
  - **Estimate & Reduce System Support Costs**
  - **Evaluate TOC During Source Selection**
  - **Track Actuals Against Estimates**
- **PARTNERING:**
  - **Fort Monmouth PEOs & Industry Reps**
  - **Required Other Partners**

Total Ownership Cost Reduction

- Choices are Needed To Reduce TOC
- Economic Analyses (EAs) Investigate the Costs & Benefits of Alternatives
- Net Present Value Cost of Alternatives Analyze Money as if All Green
- Consistent Basis of Comparison from Taxpayer Perspective
- AWCF Emphasizes User Perspective Cost

Total Ownership Cost Categories

- **Identifies Costs Regardless of Fund Type**
  - **Log Costs Support Equipment Use & Readiness**
  - **Non-Log Costs Support Equipment Dev & Production**
- **Consistent with Current Log Supportability Optimization Models & Taxpayer Perspective**
- **Cross Referenced to DA LCC Elements**



Modeling TOC & Supportability

- Early Life Cycle Decisions Drive Future Supportability and Support Costs
- Model Relates Supportability & Design to Readiness
- Provides Structured Approach to Optimize Supportability & Evaluate Total Ownership Costs
- Helps to Quantify & Identify Drivers
  - Among C[illegible]

If you can measure TOC, you can control, manage and reduce TOC

Generic Integrated Modeling Tool Set

- **COMPASS Optimizes Viable Support Concepts to Ao**
  - **Least Cost Initial Provisioning**
  - **2-Level vs. 3-Level Maintenance**
  - **Return LRU vs. SRU**
  - **Organic vs. Contractor**
  - **Repair vs. Throwaway**
- **Time Phased COMPASS - Annual COMPASS Costs**
- **Logistics Cost Estimating Tool - Adds Other Log Costs**
- **LCET Integrated with LCC Tool - Adds Non-Log Costs**

Structured Approach to Optimize Supportability & Compute TOC

Logistics Cost Coverage

	LCET Logistics Cost Categories	COMPASS Catagories
1	Military Operators	
2	Energy	
3	Field Support	
4	Repair Labor	Common Labor + Screening + Contact Team + Special Repairmen
5	Contractor Logistics Support	Contractor Fixed Cost + Recurring Contractor Repair
6	Warranty Costs not included in Unit Costs	
7	Scheduled Maintenance/Overhaul	
8	Initial Provisioning (Includes Retail & Wholesale)	Initial Spares
9	Replenishment Spares	Consumption Spares
10	Inventory Holding Costs	Inventory Holding
11	Support Equipment	Common & Peculiar Support Equipment
12	Test Program Sets	Test Program Sets
13	System Specific Training	
14	Training Materials Development & Maintenance	
15	Post Production Software Support	
16	Technical Documentation	Documentation
17	Transportation (Includes Shp, Pack, &Hnd)	Transportation
18	Integrated Material Management	Requisition + Cataloging + Bin
19	Post Production Project Management/Systems Eng	
20	System Hardware Changes	
21	Facilities/Sites Activation	
22	System Specific Base Operations	
23	Lease Operations and Maintenance	
24	Demilitarization/Disposal	
25	Industrial Readiness	

LCET Spreadsheet

Original Version:

- **Imports from Time Phased COMPASS**
- **Highlights Relationships to Log Cost Categories**
  - **Cost Per System per Year & Deployment Schedule**
  - **Cost per Support Location & Support Time Phasing**
  - **Cost per Person per Year & Level of Effort**

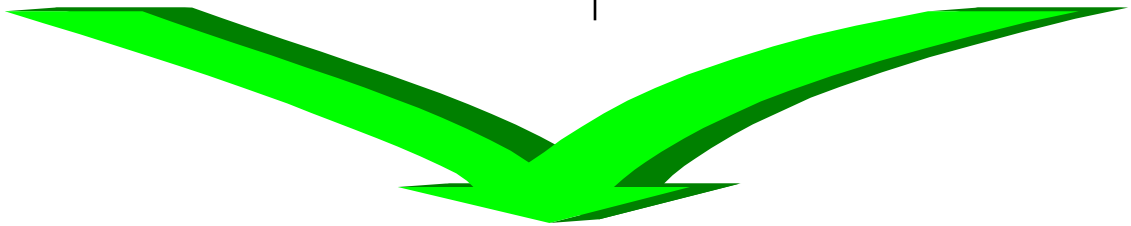
New Release:

- **Warranty Adjustment to Time Phased COMPASS**
- **Legacy System Handling**
- **Detailed Computations for Most Log Cost Categories**

CEAC to Incorporate into ACE IT

Models Recap

Logistics Models		Cost Models	
COMPASS	Log / Cost	ACE IT	Log / Cost
TPCOMPASS	Log / Cost	LCET Standalone	Log / Cost



Integrated/Linked Models

Log / Cost

TOC Policies

- Improve DoD 5000.2-R Implementation:
  - CAIV - Emphasize Tradeoffs to LCC
  - Conduct Supportability Analyses Integral to Systems Engineering
- Army Memos - PMs manage to LCC
- Army Memos - TOC as an Evaluation Factor in Source Selections

Potential Use In Acquisitions

- TOC Evaluation in Competitive Source Selection
- Estimate Baseline TOC for Contractor Design
- Predict TOC of Potential Design Improvement
  - Difference from Baseline Determines Savings
  - Permits Cost Effective Decision Making
- Assess Actual TOC
  - Contractor Data Sharing
  - Identify Cost Drivers to Reduce

TOC Analysis

- **Utilization Of Appropriate Analytic Tools Throughout The Acquisition Process**
  - **Parametric Cost Models in Advanced Development**
  - **Integrated Models w/ ACE IT in ED & LRIP**
  - **Integrated Models w/o ACE IT in Full Production**
- **Contractors & Govt Utilize Same Tool To Determine TOC Impact Of Proposals**